

**Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana**

**Financial Statements  
As of and for the Year Ended December 31, 2007  
With Comparative Totals for 2006 and  
Supplemental Information Schedules  
LSC Grant Recipient Number 619061**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/30/08

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana

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## Independent Auditors' Report

To the Board of Directors  
Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services of North Louisiana, Inc., as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2008, on our consideration of Legal Services of North Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Legal Services of North Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules For Grants and Contract Analysis" in the table of contents and shown on pages 14 – 15, are presented for the purpose of providing the various funding sources of Legal Services of North Louisiana, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the funding sources of Legal Services of North Louisiana, Inc. The schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedules mentioned previously and shown on pages 14 – 15 are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion they are fairly stated on the basis of accounting practices prescribed by the funding sources.



Cook and Morehart  
Certified Public Accountants  
April 21, 2008

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Statement of Financial Position  
December 31, 2007, with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 520,649	\$ 432,855
Client escrow funds	8,487	4,619
Grants receivable	57,098	58,497
Accounts receivable	<u>1,437</u>	<u>946</u>
Total current assets	<u>587,671</u>	<u>496,917</u>
Property and equipment	1,404,821	1,382,602
Accumulated depreciation	<u>(899,002)</u>	<u>(872,366)</u>
Net property and equipment	<u>505,819</u>	<u>490,236</u>
Deposits	<u>1,715</u>	<u>1,715</u>
Total assets	<u><u>\$ 1,095,205</u></u>	<u><u>\$ 988,868</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 79,355	\$ 52,712
Accrued liabilities	126,798	90,991
Current portion of long-term debt	17,092	5,595
Refundable advances	105,005	128,685
Client trust deposits	<u>8,487</u>	<u>4,619</u>
Total current liabilities	<u>336,737</u>	<u>282,602</u>
Long-term debt, less current portion	<u>26,127</u>	<u>304</u>
Total liabilities	<u>362,864</u>	<u>282,906</u>
<b>Net assets</b>		
Unrestricted	93,752	81,961
Temporarily restricted		
Legal services corporation-grant	625,128	607,045
Non-LSC	<u>13,461</u>	<u>16,956</u>
Total temporarily restricted	<u>638,589</u>	<u>624,001</u>
Total net assets	<u>732,341</u>	<u>705,962</u>
Total liabilities and net assets	<u><u>\$ 1,095,205</u></u>	<u><u>\$ 988,868</u></u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Statement of Activities

For the Year Ended December 31, 2007, with Comparative Totals for 2006

	Unrestricted	Temporarily Restricted		2007 Total	2006 Total
		LSC	Non-LSC		
Revenue and support:					
Grants and Contracts	\$	\$ 1,815,850	\$ 587,182	\$ 2,403,032	\$ 2,177,333
Interest income		13,680		13,680	9,979
Other	158,219	50,572		208,791	173,842
Net assets released from restrictions:					
Satisfaction of program restrictions	2,452,696	(1,862,019)	(590,677)	(2,452,696)	
Total revenues and other support	2,610,915	18,083	(3,495)	2,625,503	2,360,954
Expenses:					
Program Services	2,141,083			2,141,083	1,943,786
Management and General	458,041			458,041	404,014
Total expenses	2,599,124			2,599,124	2,347,800
Change in net assets	11,791	18,083	(3,495)	26,379	13,154
Net assets at beginning of year	81,961	607,045	16,956	705,962	692,808
Net assets at end of year	\$ 93,752	\$ 625,128	\$ 13,461	\$ 732,341	\$ 705,962

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Statement of Functional Expenses  
For the Year Ended December 31, 2007, with Comparative Totals for 2006

	<u>Program</u>	<u>Management &amp; General</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Personnel Expenses</b>				
Lawyers	\$ 733,754	\$ 99,511	\$ 833,265	\$ 767,149
Paralegals	83,816		83,816	106,235
Other	397,241	160,411	557,652	503,940
Employee Benefits	353,592	75,629	429,221	396,402
Total Personnel Expenses	<u>1,568,403</u>	<u>335,551</u>	<u>1,903,954</u>	<u>1,773,726</u>
<b>Other Expenses</b>				
Space and Occupancy	47,132	10,081	57,213	70,085
Equipment Rental	12,976	2,775	15,751	15,561
Office Supplies and Expenses	54,694	11,698	66,392	68,026
Telephone	40,874	8,743	49,617	43,471
Travel	19,643	4,201	23,844	18,771
Training	77,132	16,497	93,629	71,942
Library	38,434	8,220	46,654	34,974
Insurance	35,861	7,670	43,531	40,197
Dues and Fees	14,861	3,178	18,039	13,965
Interest	3,190	682	3,872	1,754
Litigation	16,164	3,457	19,621	12,608
Contract Services to Clients	71,048	15,196	86,244	32,737
Depreciation	49,164	10,515	59,679	56,653
Other	91,510	19,574	111,084	93,330
Total Other Expenses	<u>572,680</u>	<u>122,490</u>	<u>695,170</u>	<u>574,074</u>
<b>TOTAL EXPENSES</b>	<u>\$ 2,141,083</u>	<u>\$ 458,041</u>	<u>\$ 2,599,124</u>	<u>\$ 2,347,800</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Statement of Cash Flows  
For the Year Ended December 31, 2007, with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
<b>Operating Activities:</b>		
Change in net assets	\$ 26,379	\$ 13,154
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	59,679	56,653
(Increase) decrease in:		
Client escrow funds	(3,868)	(1,005)
Grants receivable	1,399	(6,278)
Accounts receivable	(491)	814
Increase (decrease) in:		
Accounts payable	26,643	7,515
Accrued expenses	35,807	11,583
Client Trust Deposits	3,868	1,005
Deferred revenue	(23,680)	128,885
Net cash provided by operating activities	<u>125,736</u>	<u>212,106</u>
<b>Investing Activities:</b>		
Purchase of property and equipment	(23,479)	(13,342)
Net cash (used) by investing activities	<u>(23,479)</u>	<u>(13,342)</u>
<b>Financing Activities:</b>		
Payments of long-term debt	(14,463)	(46,176)
Net cash (used) by financing activities	<u>(14,463)</u>	<u>(46,176)</u>
Net increase (decrease) in cash	87,794	152,588
Cash as of beginning of year	<u>432,855</u>	<u>280,267</u>
Cash as of end of year	<u>\$ 520,649</u>	<u>\$ 432,855</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 3,468</u>	<u>\$ 1,734</u>

**Supplemental disclosure:**

Cash paid for interest in 2007 and 2006 was \$3,468 and \$1,754, respectively.

**Non-cash investing and financing activities:**

Acquisition of vehicles

Cost of vehicles	\$ 51,783
Vehicle loan	51,783

The accompanying notes are an integral part of the financial statements.



Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006

(1) Summary of Significant Accounting Policies

Legal Services of North Louisiana, Inc. (LSNL) is a private nonprofit corporation incorporated under the laws of the State of Louisiana and is governed by a Board of Directors composed of 15 members.

A. Nature of Activities

LSNL administered various federal, state, and miscellaneous grants during the year ended December 31, 2007. The grants are designed to provide eligible individuals with free legal services. The following programs, with their approximate percentage of total revenues indicated, are administered by LSNL:

Legal Services Corporation (LSC) – 71%  
Interest on Lawyers' Trust Accounts (IOLTA) – 10%  
United Way – 1%  
Local Councils on Aging – 1%  
Violence Against Women – 7%  
Regional HUD Housing Counseling – 1%  
AARP Foundation – 2%  
Other – 7%

B. Basis of Accounting

The financial statements of LSNL have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

LSNL is a nonprofit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from activities not directly related to LSNL's tax-exempt purpose is subject to taxation as unrelated business income. LSNL had no such income for this audit period.

E. Property and Equipment

It is the policy of the agency to capitalize all fixed assets with a unit cost of \$1,000 or more. All fixed assets are valued at historical cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

F. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending of the existence and/or nature of any donor restrictions.

(Continued)

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006  
(Continued)

Federal and state grant revenue and all other donor-restricted support are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**G. Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

**H. Compensated Absences – Accrued Leave**

Employees of LSNL accrue leave at a rate based upon their length of service. Employees may not carry forward leave in excess of 75 hours from one year to the next. Employees leaving employment whether voluntarily or involuntary will be paid for all accrued annual leave. Employees may also accrue health leave, but accumulated health leave is forfeited upon separation of employment.

At December 31, 2007, the approximate amount of accumulated and vested employee leave benefits accrued was \$50,882.

**I. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, LSNL considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**J. Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and management and general services.

**K. Reclassifications**

The following amounts have been reclassified from temporarily restricted net assets to unrestricted net assets by expending funds which satisfied the restricted purposes specified by the donors:

LSC	\$ 1,811,447
United Way	23,586
Councils on Aging	27,779
IOLTA	245,189
VAWA	172,200
AARP	39,395
Community Foundation	46,000
Elderly Protection Services	2,805
HUD	29,786
Other	54,509
Total	<u>\$ 2,452,696</u>

(Continued)

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006  
(Continued)

**L. Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

**M. Donated Services**

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LSNL. Included in other revenue and contract services to clients in the accompanying financial statements is \$50,572 of donated services from attorneys.

**(2) Concentrations of Credit Risk**

Financial instruments that potentially subject LSNL to concentrations of credit risk consist principally of temporary cash investments and grants receivable. Concentrations of credit risk with respect to grants receivable are limited due to the majority of these amounts being due from governmental agencies under contractual terms. As of December 31, 2007, LSNL had no significant concentrations of credit risk in relation to grants receivable. LSNL maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2007 total cash balances held at the financial institution was \$548,808. Of this amount, \$400,591 was secured by FDIC and the remaining \$148,217 was unsecured.

**(3) Accrued Liabilities**

An analysis of LSNL's accrued liabilities at December 31, 2007 is as follows:

Payroll taxes	\$ 2,291
Insurance / benefits	28,047
Accrued leave	50,882
Accrued payroll	45,578
Total	<u>\$ 126,798</u>

**(4) Property and Equipment**

Property and equipment at December 31, 2007 consisted of the following:

	Estimated Depreciable Life	Purchased With LSC Funds	Purchased With Non-LSC Funds	Total
Land	20-30 years	\$ 137,100	\$ -	\$ 137,100
Buildings	20-30 years	461,588	-	461,588
Leasehold Improvements	20-30 years	26,889	-	26,889
Furniture, Fixtures, and Equipment	5-10 years	654,888	55,679	710,565
Law Library	5 years	66,635	2,044	68,679
Accumulated depreciation		( 850,966)	( 48,036)	( 899,002)
Net investment in property and equipment		<u>\$ 496,132</u>	<u>\$ 9,687</u>	<u>\$ 505,819</u>

Depreciation expense for the year ended December 31, 2007 was \$59,679.

(Continued)

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006  
(Continued)

(5) Leases

LSNL leases postage machines, a security system, and copiers under operating leases. The rental cost on the equipment paid during the year ended December 31, 2007 was \$14,360.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

For the Year Ending December 31,	
2008	5,795
2009	<u>3,139</u>
Total minimum future rentals	<u>\$ 8,934</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2007 were available for the following purposes:

LSC Grant – Operating	\$ 172,213
LSC – Property	452,915
Non-LSC Property	9,694
Miscellaneous Grants	<u>3,767</u>
	<u>\$ 638,589</u>

(7) Refundable Advances

LSNL records funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(8) Contractual Revenue – Grants

During the year ended December 31, 2007, LSNL received contractual revenue from federal, state, and miscellaneous grants in the amount of \$2,403,032. The continued existence of these funds is based on annual contract renewals with various funding sources.

(9) Client Trust Funds

Client trust funds are funds received by LSNL from or on behalf of a client. A separate escrow bank account is maintained, as well as separate client trust records for each client. Client trust funds are not the property of LSNL, and, as a result, are reported as both an asset and a liability in the Statement of Financial Position.

(Continued)

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006  
(Continued)

(10) Private Attorney Involvement

The following details the private attorney involvement (PAI) activity for the year ended December 31, 2007:

	LSC	Other	Total
Lawyers	\$ 27,448	\$ —	\$ 27,448
Paralegals	32,857	20,843	53,700
Other	31,156	—	31,156
Employee Benefits	32,568	—	32,568
Space and occupancy	5,013	—	5,013
Equipment rental	1,482	—	1,482
Office supplies and expenses	5,204	—	5,204
Telephone	4,209	—	4,209
Travel	1,862	—	1,862
Training	12,247	—	12,247
Library	3,986	—	3,986
Insurance	3,482	—	3,482
Dues & fees	1,483	—	1,483
Litigation	676	—	676
Contract services to clients	71,344	—	71,344
Other	12,072	—	12,072
<b>Total</b>	<b>\$ 247,089</b>	<b>\$ 20,843</b>	<b>\$ 267,932</b>

(11) Long-Term Debt

Long-term debt at December 31, 2007, consisted of the following:

Promissory note to a local bank, in the original amount of \$20,146 dated February 11, 2004, due in forty-eight (48) monthly payments of \$486 including interest, with final payment due February 11, 2008, with interest rate 5.25%, secured by vehicle	\$ 486
Promissory note to a local bank, in the original amount of \$51,783, dated June 5, 2007, due in thirty-five (35) monthly payments of \$1,610.79, including interest, with final payment due June 5, 2010, with an interest rate of 7.5%, secured by three (3) vehicles.	\$ 42,733
	43,219
Less current portion	( 17,092)
Long term portion	<u>\$ 28,127</u>

Approximate maturities of long-term debt are summarized as follows:

For the Year Ending December 31,	Approximate Amount
2008	\$ 17,092
2009	17,885
2010	8,242
	<u>\$ 43,219</u>

(Continued)

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Notes to Financial Statements  
December 31, 2007, with Comparative Totals for 2006  
(Continued)

(12) Retirement Plan

LSNL contributes 5% of the employees' annual compensation to an annuity program on behalf of its employees. An employee must contribute three years of employment in order to be vested in the plan. Contributions made by the employer are returned to the employer if the employee leaves before becoming vested. Employees may contribute up to twenty-five per cent of their annual compensation. The employee contributions are tax-deferred to the employee. Total employer contributions for the year ended December 31, 2007, were \$70,489.

(13) Buildings – Property Costs

The following details costs directly related to the purchase and/or maintenance of property paid out of LSC funds:

	<u>Central Office Building</u>	<u>Monroe Building</u>	<u>Natchitoches Building</u>	<u>Total</u>
Derivative Income	\$ —	\$ —	\$ —	\$ —
Paid in principal	—	—	—	—
Interest expense	—	—	—	—
Building maintenance	12,227	5,674	4,028	21,929
Insurance	7,328	1,356	1,559	10,243
Taxes	—	—	—	—
Improvements	—	—	—	—
	<u>\$ 19,555</u>	<u>\$ 7,030</u>	<u>\$ 5,587</u>	<u>\$ 32,172</u>

(14) Contingency

LSNL is currently the defendant in a lawsuit, the ultimate outcome of which is unknown at this time. In the opinion of legal counsel, the amount of any damages awarded in excess of LSNL's current insurance coverage cannot be reasonably estimated at this time.

**Supplemental Information Schedules Prepared  
For Grants and Contracts Analysts**

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Schedule of Support, Revenue, and Expenses and Changes in Net Assets for LSC Funds  
For the Year Ended December 31, 2007, with Comparative Totals for 2006

	Basic Field Grant	Private Attorney Involvement	Total	Property	2007 Grand Total	2006 Grand Total
<b>Support and Revenue</b>						
Grants and Contracts	\$ 1,804,433	\$ 211,417	\$ 1,815,850	\$	\$ 1,815,850	\$ 1,748,235
Interest Income	13,680		13,680		13,680	9,979
Other - donated services	14,900	35,672	50,572		50,572	
<b>Total</b>	<b>1,633,013</b>	<b>247,089</b>	<b>1,880,102</b>		<b>1,880,102</b>	<b>1,758,214</b>
<b>Personnel Expenses</b>						
Lawyers	345,257	27,448	372,705		372,705	413,131
Paralegals	26,116	32,857	58,973		58,973	68,680
Other	503,720	31,156	534,876		534,876	503,940
Employee Benefits	288,957	32,568	319,525		319,525	307,907
<b>Total</b>	<b>1,162,050</b>	<b>124,029</b>	<b>1,286,079</b>		<b>1,286,079</b>	<b>1,293,638</b>
<b>Other Expenses</b>						
Space and Occupancy	39,804	5,013	44,817		44,817	48,756
Equipment Rental	14,269	1,482	15,751		15,751	15,561
Office Supplies and Expenses	49,062	5,204	54,266		54,266	56,112
Telephone	35,898	4,209	40,107		40,107	31,616
Travel	21,232	1,862	23,094		23,094	16,896
Training	69,057	12,246	81,303		81,303	59,499
Library	42,668	3,986	46,654		46,654	34,974
Insurance	33,351	3,482	36,833		36,833	35,446
Dues and fees	2,577	1,483	4,060		4,060	3,439
Litigation	8,093	676	8,769		8,769	8,741
Contract Services to Clients	14,800	71,344	86,244		86,244	32,737
Other	64,844	9,832	74,676		74,676	65,787
Interest expense	2,789	1,083	3,872		3,872	1,754
Depreciation				55,494	55,494	52,688
<b>Total</b>	<b>398,544</b>	<b>121,902</b>	<b>520,446</b>	<b>55,494</b>	<b>575,940</b>	<b>483,884</b>
<b>Total Expenses</b>	<b>1,560,594</b>	<b>245,931</b>	<b>1,806,525</b>	<b>55,494</b>	<b>1,862,019</b>	<b>1,757,522</b>
<b>Support and Revenue Over (Under)</b>						
Expenses and losses	72,418	1,158	73,577	(55,494)	18,083	692
<b>Other Changes in Net Assets:</b>						
Note Payments	(13,315)	(1,158)	(14,473)	14,473		
Acquisition of property	(23,479)		(23,479)	23,479		
<b>Total Other Changes</b>	<b>(36,794)</b>		<b>(37,952)</b>	<b>37,952</b>		
<b>Total Changes in Net Assets</b>	<b>35,625</b>		<b>35,625</b>	<b>(17,542)</b>	<b>18,083</b>	<b>692</b>
<b>Net Assets at beginning of year</b>	<b>136,588</b>		<b>136,588</b>	<b>470,457</b>	<b>607,045</b>	<b>606,353</b>
<b>Net Assets at end of year</b>	<b>\$ 172,213</b>	<b>\$</b>	<b>\$ 172,213</b>	<b>\$ 452,915</b>	<b>\$ 625,128</b>	<b>\$ 607,045</b>



Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Schedule of Interest on Lawyers Trust Accounts (IOLTA) Grant Activity  
Grant No. 2007-0026 and Grant No. 2007-0025  
For the Year Ended December 31, 2007, with Comparative Totals for 2006

	<u>2007</u>	<u>2006</u>
Revenue Received - IOLTA Grant	\$ 244,941	\$ 207,289
 Personnel Expenses		
Lawyers	124,527	121,698
Paralegals	20,843	14,500
Other	22,776	
Employee Benefits	38,264	33,744
Total Personnel Expenses	<u>206,410</u>	<u>169,942</u>
 Other Expenses		
Space and occupancy	4,800	4,800
Office supplies	3,600	3,600
Telephone	4,800	4,800
Training	5,578	5,258
Insurance	2,900	2,900
Dues and fees	8,650	7,586
Access to Justice	6,003	6,003
Audit expense	2,200	2,400
Total Other Expenses	<u>38,531</u>	<u>37,347</u>
 Total Expenses	<u>244,941</u>	<u>207,289</u>
 Excess (Deficit)	<u>\$</u>	<u>\$</u>

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Legal Service Corporation</u>		
Direct Programs		
Basic Field Grant	09.619061	\$ 1,793,905
<u>Department of Justice</u>		
Direct Program		
Violence Against Women	16.588	172,200
<u>Department of Housing and Urban Development</u>		
Passed through West Tennessee Legal Services, Inc. Regional HUD Housing Counseling Grant	14.169	29,786
 Total federal expenditures		 \$ 1,995,891

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

# COOK & MOREHART

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors  
Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Legal Services of North Louisiana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Services of North Louisiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Services of North Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain matter that we reported to management of Legal Services of North Louisiana, Inc. in a separate letter dated April 21, 2008.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Cook & Morehart".

Cook & Morehart  
Certified Public Accountants  
April 21, 2008

# COOK & MOREHART

*Certified Public Accountants*

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## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors  
Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana

### Compliance

We have audited the compliance of Legal Services of North Louisiana, Inc., (a nonprofit organization) with the types of compliance requirements described in the U. S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and in the *Legal Services Corporation Audit Guide and Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Legal Services of North Louisiana, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on Legal Services of North Louisiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Legal Services Corporation Audit Guide and Compliance Supplement*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legal Services of North Louisiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Legal Services of North Louisiana, Inc.'s compliance with those requirements.

In our opinion, Legal Services of North Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

The management of Legal Services of North Louisiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Legal Services of North Louisiana, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Legal Services of North Louisiana, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart  
Certified Public Accountants  
April 21, 2008

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Summary Schedule of Prior Audit Findings  
December 31, 2007

There were no findings or questioned costs for the prior audit period ended December 31, 2006.

Schedule of Findings and Questioned Costs  
December 31, 2007

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Legal Services of North Louisiana, Inc.
2. No significant deficiencies are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Legal Services of North Louisiana, Inc. were disclosed during the audit.
4. No significant deficiencies are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Legal Services of North Louisiana, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Legal Services of North Louisiana, Inc. reported in Part C. of this Schedule.
7. The program tested as a major program was the Legal Service Corporation program CFDA #09.619061.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Legal Services of North Louisiana, Inc. was determined to be a low-risk auditee.

**B. Findings – Financial Statements Audit**

NONE

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

NONE

Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Schedule of Prior Audit Findings For Louisiana Legislative Auditor  
December 31, 2007

There were no findings for the prior year audit period ended December 31, 2006.

There were two management letter comments for the prior audit year ended December 31, 2006, as follows:

**Comment #1 -- Direct Deposits**

*Improvement noted. No comment in current year audit.*

**Comment #2 -- Client File Exam**

*Improvement noted. No comment in current year audit.*



Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana  
Schedule of Current Audit Findings For Louisiana Legislative Auditor  
December 31, 2007

There were no findings for the current year audit period ended December 31, 2007.

There was one management letter comment for the current audit year ended December 31, 2007.  
Management's response to the comment is as follows:

**Comment #1** – Cost Allocation Plan – Non-LSC Programs

LSNL shall review and update its cost allocation plan for allocating costs to the non-LSC programs, in order to ensure compliance with applicable cost allocation principles.

# COOK & MOREHART

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## Management Letter

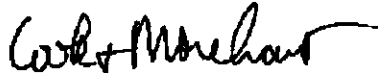
April 21, 2008

Board of Directors  
Legal Services of North Louisiana, Inc.  
Shreveport, Louisiana

In planning and performing our audit of the financial statements of Legal Services of North Louisiana, Inc, as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

However, during our audit, we became aware of a matter which is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding that matter. This letter does not affect our report dated April 21, 2008, on the financial statements of Legal Services of North Louisiana, Inc.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestions with agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Cook & Morehart  
Certified Public Accountants

### **Management Letter Point**

#### **Cost Allocation Plan – Non-LSC Programs**

During our audit, we noted that Legal Services of North Louisiana, Inc. (LSNL) was the recipient of various smaller grants, in addition to its LSC grant. Charging costs to those non-LSC grants requires the allocation of both personnel and non-personnel expenditures. We recommend that LSNL review and update its cost allocation plan for allocating costs to the non-LSC programs, to ensure compliance with applicable cost allocation principles.